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Subject: Consumer Leasing

Clear and Conspicuous Comments

These comments are being submitted to comment on the Clear and Conspicuous standards proposal for regulatory disclosures. I would like to register strong opposition to this proposal at this time on the basis that it will be very expensive for banks to pay for computer programming changes to implement the law, to reprint forms to comply with new margin and font requirements, to buy additional stocks of statement paper to contain the larger print and margins because all required text will no longer fit on a single page, and because it is fundamentally impossible to achieve given the requirements of the laws to be subject to this requirement. On this last point, I illustrate and discuss below.

The proposal adopts a universal definition of "clear and conspicuous" that includes not only "designed to call attention to", but also "reasonably understandable." For regulations such as Regulation Z, this goes beyond the current requirement that disclosures be noticeable. The requirement that the disclosures be "reasonably understandable" is new and will undoubtedly invite lawsuits. For example:

* Regulation Z

* The Finance charge today defines exclusions to "cost of credit" yet these are still fees a person is supposed to pay to the bank to get the loan. The distinction Reg Z makes in fees paid with the loan or if the person pays the fee even if buying a product with cash is really meaningless when a person sits down to get the loan. If a person could buy the item with cash, they wouldn't go through the hassle of getting a loan, they'd just buy the item. The finance charge and all its complicated definitions of what fees to include in the finance charge and which to exclude is confusing for bankers and customers, it is also a major regulatory violation minefield and burden. "Finance charge" is not a term that is at all reasonably understandable by the average person and is not used in plain everyday language.

* How are we to really explain what APR means under this new requirement? In simple language bankers and customers can understand. No one says "yearly rate" in everyday language. It is not a term that is readily understandable to the majority of customers.

* "Amount Financed" is another not a meaningful term normally used and understood by customers and also presents a regulatory minefield.

* Regulation E -

* Our bank currently uses standard stock text on the back of statement paper to provide monthly disclosures as required by Regulation E (as well as Regulation Z). This text just now barely fits on the back of statement paper forms along with other required text as it is now. Changing the margins and font size as proposed by this new requirement will require that statements that may only now need one page will instead require two pages, the second page just to provide customers with this regulatory required text. The extra cost of paper and postage will be a total waste as most people will simply throw those sheets in the trash without reading them. The other option is that we omit guidance to customers on how to balance their statement and other useful information we provide in order to fit all of the regulatory required disclosures under the new proposed standards on a single sheet of paper.

* Truth In Savings Act -
* "periodic rate" applied to balances - What is that,
(aside from the arcane definition supplied by the regulation)?
* I request a safe harbor definition "annual percentage
yield" in clear, plain language that would meet the standard of "readily
understandable". Such a challenge defies execution.

The point is that these terms are meaningless to most people as they currently are in these regulations. Banks follow the suggested text of the regulations to provide required disclosures to customers. In order to impose these new requirements, the Federal Reserve must look to redraft definitions for all of these terms along with all required text these rules impose that meet the new standards to in effect provide a safe harbor to banks. Otherwise banks could be subject to lawsuits by attorneys who will challenge whether or not the bank met the subjective "readily understandable" "plain language" standard or not. On what basis, and how are banks to know whether they have met this standard under this proposal? How will banks defend their opinion as to what is sufficiently understandable against examiners who disagree? These are issues I don't see addressed by the Federal Reserve's proposal and without more clarity, the proposal will only serve to subject banks to costly lawsuits and potential for examiner criticism. On what basis "does the Board believe" these new standards are necessary to provide customers with improved information they currently cannot get now? Again, without the Federal Reserve fundamentally reviewing the currently required legalese and arcane words the regulations impose on banks to provide to customers, banks are hardly in a position to re-write definitions to these terms and text on their own to meet these requirements.

I strongly and respectfully request that the Federal Reserve undertake a thorough review of true potential impact this seemingly innocuous proposal will impose upon banks before imposing its requirements. If they are imposed at all. It is truly impossible for banks themselves to design disclosures bound as they are on one side by the basic requirements of the regulatory disclosures, and on the other by subjective and ill defined compositional requirements described in the proposal. If such a thorough and careful review of the proposal's impact were done, it would become obvious to the Federal Reserve that without comprehensive and drastic revision of the regulatory disclosure requirements themselves this proposal is impossible for banks to effectively implement.

Thank you.

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